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United Nations Office for Project Services

Status report on the implementation of the recommendations of the Board of Auditors for the biennium 2004-2005*

Summary

The United Nations Office for Project Services (UNOPS) is pleased to respond to the recommendations noted in the report of the United Nations Board of Auditors for the biennium ending 31 December 2005.

The present report provides: (a) an overview of the status of the implementation of the recommendations contained in the report of the Board of Auditors for the 2004-2005 biennium, and (b) a summary of the management plan addressing those recommendations, including actions yet to be fully implemented.

Elements of a decision

The Executive Board may wish to: (a) take note of the present status report on the implementation of the recommendations of the United Nations Board of Auditors for the biennium 2004-2005, and (b) acknowledge the progress made since its release in draft form on 29 June 2007.

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*The compilation of data required to provide the Executive Board with the most current information has delayed submission of the present report.

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I. UNOPS summary response to the United Nations Board of Auditors

A. Background

1. As a self-financing service provider to the United Nations system and other organizations, UNOPS is working to implement systems to ensure that it reaches its goal of becoming a world-class service provider. In so doing, UNOPS management appreciates the requirement that the organization remain efficient, agile, and flexible in order to respond to the needs of its client base, which can rapidly expand or contract depending on world events. UNOPS must maintain sound internal control systems and keep its financial 'house' in order, managing itself as an efficient business and taking steps to ensure its viability and maintain its operational reserve.

2. The recommendations highlighted in the report of the United Nations Board of Auditors (BOA) for the 2004-2005 biennium provided the management of UNOPS with an outline for improving its internal controls and financial systems. UNOPS management provides herewith some specific responses to those recommendations, and pledges to continue its efforts to complete implementation of the recommendations only partially implemented as at 31 December 2007. BOA acknowledged that of 43 main recommendations made in the audit report for the biennium 2004-2005, 23 (54 per cent) were fully implemented and 20 (46 per cent) partially implemented by the end of 2007. UNOPS management is pleased to have achieved this relatively high implementation rate despite having received approval of its audit report for 2004-2005 only on 29 June 2007 (due to its inability to close 2004-2005 accounts until late November 2006). Consequently, UNOPS management had only six months, rather than the customary 18 months before the end of the biennium, to implement the recommendations made by BOA. The significant improvements in UNOPS internal controls and overall financial situation are also demonstrated by the fact that, for the first time in four biennia, UNOPS received an unqualified audit report from BOA and the number of matters of emphasis cited by BOA declined by two-thirds. The management is confident that the remaining 20 BOA recommendations will be substantially implemented by the end of 2008. The members of UNOPS senior management team, most of whom are newly appointed, are committed to improving the financial systems of the organization to ensure that UNOPS is financially sound and operates as an efficient provider of world-class services in the areas of procurement, infrastructure and project management.

B. Investing in the future of UNOPS

3. During the 2006-2007 biennium, UNOPS continued its efforts to strengthen internal controls while simultaneously investing in an improved infrastructure and human resources to ensure that UNOPS remains a productive, going concern over the long term. The results and improvements resulting from the initial clean-up stage are visible and measurable, based on key performance indicators such as an unqualified audit report for the 2006-2007 biennium, a six-fold increase in the level of operational reserves, and full accrual for after-service health insurance, annual leave and other end-of-service liabilities.

4. The remainder of this chapter summarizes major initiatives undertaken during the current biennium.

5. *Continuation of the financial clean-up.* Following the massive financial clean-up, with the assistance of a Big Four accounting firm in the second half of 2006, UNOPS continued the effort using only internal staff during 2007. Before the close of the 2006-2007 biennium, the major part of the receivables and suspense accounts were cleared, operational and financial closure of some 2,100 projects was initiated, and the reconciliations of major accounts were brought up to date. Rigorous, efforts are exerted to implement various finance-related organizational directives on internal control and risk management framework, and the financial regulations and rules and finance manual.

6. *Organizational restructuring.* During 2006 the UNOPS senior management team reorganized primary headquarters functions to ensure (a) more effective workflow and operational efficiency, and (b) the strengthening of corporate internal controls and risk mitigation. Specifically, the headquarters infrastructure now consists of the Executive Office, the Corporate Controls Centre, the Global Services Centre and the Organizational Effectiveness Centre. The Executive Office comprises the Executive Director, the Deputy Executive Director, the communications function, business development and a team of global practice leaders. The Corporate Controls Centre comprises the Director of Finance and team, the General Counsel, the Head of Audit and the security function which together serve the Executive Office and UNOPS in maintaining strong internal controls, managing organizational risks and ensuring compliance with regulations. The Global Services Centre functions as an internal transactional service provider, responsible for information technology, procurement, and other transactional activities that benefit the broader UNOPS organization. The Organizational Effectiveness Centre supports and manages the development and improvement of internal business processes and policy implementation, which form the backbone of the UNOPS infrastructure. Moreover, the Centre focuses on UNOPS corporate business strategy and leads the organization in setting its business development objectives. Together, the three centres form an integrated team that helps the Executive Office and the regional offices manage their business operations and ensure that the organization continues to achieve its financial, strategic and compliance-related goals.

7. *Investment in a professional-level finance team.* The newly recruited finance team in the office of Comptroller at headquarters, and in regional offices, brings high-level accounting qualifications and varied experience, ranging from United Nations organizations, the World Bank and the European Commission to private sector companies. The regional teams are fully staffed, and every effort is being made to improve their professional skills as needed. With support from human resources learning plans, finance staff are strongly encouraged to seek independent professional certification in accounting.

8. *Decentralization of functional accounting activity.* With the regional finance officers in place finance activities are no longer fully centralised in Headquarters. The regional finance team functions as an extended headquarters unit headed by the regional finance officers who report directly to the comptroller. This has resulted in improved and more efficient finance services to both projects and clients. One of the major achievements of establishing regional finance offices has been the creation of Atlas bank accounts to replace the earlier imprest modality. As of this writing, regular Atlas bank accounts have replaced some 78 per cent (based on the volume of transactions) of the old imprest accounts. The new modality not only ensures that

financial transactions recorded are in the accounting system as and when they happen, but also increases accountability on the part of finance and project staff.

9. *The internal audit function.* In the second half of 2007 UNOPS formed an internal audit function led by the Head of Audit and supported by a team of internal auditors. That function had previously been outsourced to a small team of dedicated auditors at UNDP. The change to an internal audit approach reflects the maturation of UNOPS as an organization and addresses the need to provide audit services within UNOPS, including more frequent project and regional office audits and more robust internal compliance reviews throughout the organization. The internal audit team is comprised of UNOPS staff, who have a more visible and accessible presence, resulting in increased awareness of the compliance function and regulatory requirements throughout UNOPS. The Head of Audit reports directly to the Executive Director and occupies a key seat in the Corporate Controls Centre.

10. *Strategy and Audit Advisory committee.* The Strategy and Audit Advisory Committee was created in the last quarter of 2007 and has met twice, in January and April 2008. All five members are external to UNOPS and have agreed to work on a pro bono basis. The committee will provide guidance and oversight to the UNOPS assurance function and assist the organization in employing sound strategic and risk management practices. The committee will monitor the timely completion of the objectives set by the Executive Director and United Nations regulatory requirements.

11. *Implementation of sound business practices.* As mentioned in the previous report to the Executive Board on the implementation of the recommendations of the Board of Auditors, 2004-2005 (DP/2007/48), during late 2007 and early 2008 UNOPS put into place (a) a new pricing policy to ensure full cost recovery on client engagements, maintain a competitive position in the UNOPS marketplace, and replenish the operational reserve within a reasonable time; (b) a series of new policies in the domain of human resources; (c) readiness for implementation of International Public Sector Accounting Standards and participation in cross-organization implementation working groups; and (d) an updated and revised internal control and risk management framework. In order to emphasize the need for a 'business' and 'innovation' culture to make UNOPS an efficient, self-financing service provider, UNOPS is developing rewards and recognition schemes and encouraging awards for innovation. UNOPS has also started to revisit and update old organizational directives, replacing them with new or amended directives that match the current technological environment and business requirements.

II. UNOPS responses to the main recommendations of the United Nations Board of Auditors

12. BOA provided 43 main recommendations in the body of the financial report and audited financial statements, chapter 2, section 2.10 (a) to (qq). The present document offers specific responses to all 43 recommendations and includes a supplemental response to the broader strategic recommendations that UNOPS senior management is addressing as its highest priority.

13. The main recommendations were that UNOPS:

Take steps to fund its operational reserve to the specified level in a timely manner.

14. Following Executive Board decision DP/2001/28, the required operational reserve is calculated at the rate of 4 per cent of the average, combined programme and administrative expenditure of UNOPS for the previous three years. The actual UNOPS operational reserves for the year ending 31 December 2007 amounted to some $25.1 million[1], which is 72.1 per cent of the mandatory reserve balance. This represents a significant improvement in the financial position of UNOPS. The respective numbers at the end of 2005 were $4.3 million, or 16 per cent of the mandatory reserve balance.

Create an accounts payable suspense account.

15. UNOPS agrees this is a high priority item. Although the standard reports available in the UNOPS financial and accounting system provide an overview and detail fulfilling operational requirements, UNOPS concurs with the audit recommendation that such reports deserve a detailed breakdown by creditor and age analysis. UNOPS has initiated discussions with the information technology development team to design a customized report in Atlas that will allow close monitoring of the liquidation of such account balances in a timely manner and will satisfy the audit requirements. UNOPS expects this Atlas report to be ready by the end of 2008.

Recover long-outstanding receivables

16. With regard to rental receivables, as of June 2008 UNOPS had collected 75 per cent of the outstanding balance. This means that only some 25 per cent of the $1.8 million bad debt provision made at the end of the 2006-2007 biennium may be needed. With respect to outstanding balances from other United Nations organizations, progress has been slow. UNOPS continues the clean-up exercise and hopes to liquidate most outstanding balances by the end of 2008.

Reassess the recoverability of the UNDP debt of $9.9 million; assess the adequacy of the $5 million provision for write-off; and ensure that all inter-fund reconciliations are performed regularly.

17. UNOPS is pleased to report that during the 2006-2007 biennium the inter-fund transaction first-time acceptance rate reached 98 per cent. Reconciliations with UNDP became regular, and all outstanding items are now promptly identified and followed up. Only some 6 per cent of the items currently outstanding in the inter-fund with UNDP relate to the 2006-2007 biennium, while the remaining 94 per cent are from the 2004-2005 biennium and prior periods. UNOPS has pledged to do its utmost to liquidate all the long-outstanding interfund items by the end of 2008, which may include reaching a settlement with UNDP on items that can no longer be reconciled due to their age.

[1] This reserve level was achieved after providing in full for end-of-service liabilities related to staff, and making a conservative provision of $26 million for doubtful receivables and other potential business losses related to activities during and prior to the 2004-2005 biennium.

Implement cost monitoring on projects.

18. UNOPS agrees with BOA that this recommendation is vital for its success as a provider of efficient project services. As part of the 'enhancement of internal controls' drive, new procedures and tools were put in place during 2007 for regular monitoring of project budgets and expenditures incurred. The 'dashboard', a customized project and finance monitoring tool, was substantially improved in early 2008 and now provides management and project staff both with an overview and with the details required to monitor projects budgets closely. The tool provides reliable, consistent and complete data from the accounting system, a prerequisite for project expenditure monitoring and planning future budgets. The next version of the dashboard will enable online client reporting, improving its timeliness and efficiency.

III. Conclusion

19. UNOPS is pleased to have this opportunity to respond to the report of BOA for the biennium ending 31 December 2005. Based on the improvements and developments brought about during the 2006-2007 biennium, and bearing in mind the dedication and commitment of staff with the 'One UNOPS' goal in mind, UNOPS is turning the page on historic problems and preparing to scale new heights.

Annex 1. Analysis of the status of implementation of Executive Board recommendations for the biennium ending 31 December 2005[a]

	Summary of recommendation	Paragraph reference	Financial period first made	Fully implemented	Partially implemented	Not implemented	Overtaken by events
1	Strategic review	35	2004-2005	X			
2	Reconciliation of global payroll services	52	2004-2005	X			
3	Debit balances in accounts payable	59	2004-2005	X			
4	Bank reconciliations	74	2004-2005	X			
5	Imprest accounts reconciliations	77	2002-2003	X			
6	Imprest processes	80	2002-2003	X			
7	Cut-off procedures for imprest bank accounts	84	2004-2005	X			
8	Imprest accounts – stale cheques	86	2004-2005	X			
8	Maintenance of bank signatories	92	2004-2005	X			
10	Cost recovery	101	2000-2001	X			
11	Open purchase orders	103	2004-2005	X			
12	Review of unliquidated obligations	106	2001-2002	X			
13	Funding of end-of-service liabilities	111	2000-2001	X			
14	Certification of payroll reconciliations	134	2002-2003	X			
15	Recording of administration expenditure	139	2004-2005	X			
16	Filing and access to records	141	2004-2005	X			
17	Procurement	145	2004-2005	X			
18	Leave recording	154	2004-2005	X			
19	Vacancies	157	2004-2005	X			
20	Training and development plan	160	2004-2005	X			
21	Information technology standards and best practices	195	2004-2005	X			
22	Atlas review	199	2004-2005	X			
23	Level of operational reserves	40	2000-2001		X		
24	Submission of financial statements	45	2002-2003		X		
25	Account reconciliation and suspense accounts	48	2002-2003		X		
26	Refunds pending to donors	50	2004-2005		X		
27	Accounts payable (21005) suspense accounts	55	2004-2005		X		
28	Recoverability of long-outstanding receivables	62	2004-2005		X		
29	Debt recovery	67	2004-2005		X		
30	Unmatched entries in staff receivables	69	2004-2005		X		
31	Advances recoverable locally, credit balances	71	2004-2005		X		
32	Fund level reconciliation of imprest accounts	89	2002-2003				X
33	Inter-fund with UNDP	95	2004-2005		X		
34	Reconciliation of unliquidated obligations	109	2000-2001		X		
35	Review of project budgets	120	2000-2001		X		

	Summary of recommendation	Paragraph reference	Financial period first made	Fully implemented	Partially implemented	Not implemented	Overtaken by events
36	Monitoring of projects	123	2004-2005		X		
37	Authorizations for budget updates	125	2002-2003		X		
38	Revision of budgets	130	2002-2003		X		
39	Audit committee	149	2004-2005		X		
40	Capitalization threshold	169	2002-2003		X		
41	Incomplete asset register	176	2004-2005		X		
42	Asset verification at Asia Pacific Regional Office	183	2002-2003		X		
43	Asset utilization	186	2004-2005		X		
	Total			22	20	0	1
	Percentage			51%	46%	0%	3%

a/ Official records of the General Assembly, 61st session, supplement 5J (A/61/5/Add.10)

Annex 2. Comments on the status of implementation of Executive Board recommendations for the biennium ending 31 December 2005

	Topic of recommendation	Paragraph reference	Audit recommendation	UNOPS comments
1	Strategic review	35	UNOPS agreed with the BOA recommendation that it supplement its strategic review action plan by formulating and implementing a long-term operational and financial recovery plan.	Implemented, as acknowledged by BOA.
2	Reconciliation of global payroll services	52	UNOPS agreed with the BOA recommendation that it reconcile the global payroll services charges in a timely manner.	Implemented, as acknowledged by BOA.
3	Debit balances in accounts payable	59	UNOPS agreed with the BOA recommendation that it analyse and allocate the debit balances to the correct accounts and disclose the prior period adjustment.	Implemented, as acknowledged by BOA.
4	Bank reconciliations	74	UNOPS agreed with the BOA recommendation that it ensure that bank reconciliations are performed on a monthly basis.	Implemented, as acknowledged by BOA.
5	Imprest accounts reconciliations	77	BOA recommended that UNOPS take immediate actions to perform reconciliations for all imprest, inter-office voucher and inter-fund accounts; investigate and resolve all reconciling items; quantify the reconciling items and projections; and implement measures to prevent a recurrence of similar failures of controls, including training staff adequately.	Implemented, as acknowledged by BOA.
6	Imprest processes	80	UNOPS agreed with the reiterated BOA recommendation that it reconcile the imprest accounts regularly.	Implemented, as acknowledged by BOA.
7	Cut-off procedures for imprest bank accounts	84	UNOPS agreed with the BOA recommendation that it review the cut-off procedures for bank accounts so that all transactions relating to current financial periods are accounted for.	Implemented, as acknowledged by BOA.
8	Imprest accounts – stale cheques	86	UNOPS agreed with the BOA recommendation that it adjust the general ledger imprest cash accounts for stale checks.	Implemented, as acknowledged by BOA.
9	Maintenance of bank signatories	92	UNOPS agreed with the BOA recommendation that it regularly update the list of signatories on bank accounts.	Implemented, as acknowledged by BOA.
10	Cost recovery	101	BOA recommended that UNOPS evaluate the basis and calculation of the cost of services, ensuring that all costs are identified and recovered; that UNOPS remain cost-effective; that the piloted system addresses the shortcomings indentified in the project management officer workload system; and that UNOPS consider the feasibility of using a fixed margin to be able to better control fluctuations in cost recovery rates.	Implemented, as acknowledged by BOA.

	Topic of recommendation	Paragraph reference	Audit recommendation	UNOPS comments
11	Open purchase orders	103	UNOPS agreed with the BOA recommendation that it expedite the data clean-up exercise and constantly monitor open purchase orders to ensure that they are reconciled and cleared in a timely manner.	Implemented. as acknowledged by BOA.
12	Review of unliquidated obligations	106	While BOA recognized UNOPS efforts to review unliquidated obligations, it recommended that UNOPS conduct more regular reviews of all unliquidated obligations in a timely manner.	Implemented, as acknowledged by BOA.
13	Funding of end-of-service liabilities	111	BOA recommended that UNOPS, in conjunction with the United Nations and the funds and programmes, review the funding mechanism and targets for end-of-service benefits. BOA considers that UNOPS may need to expedite its consideration of funding the end-of-service liabilities, given its unique funding principles.	Implemented, as acknowledged by BOA.
14	Certification of payroll reconciliations	134	UNOPS agreed with the BOA recommendation that it: (a) reconcile the payroll with the general ledger on a regular basis to ensure that all payroll costs have been correctly allocated; (b) certify the reconciliations at an appropriate level of seniority as proof of review; and (c) make specific year-end and biennium-end closing arrangements to validate differences.	Implemented, as acknowledged by BOA.
15	Recording of administration expenditure	139	UNOPS agreed with the BOA recommendation that it improve the controls around the capturing of administrative expenditure.	Implemented, as acknowledged by BOA.
16	Filing and access to records	141	UNOPS agreed with the BOA recommendation that it implement procedures to improve filing and access to records.	Implemented, as acknowledged by BOA.
17	Procurement	145	In view of the foregoing procurement-related observations, BOA recommended that UNOPS take appropriate measures to address them.	Implemented, as acknowledged by BOA.
18	Leave recording	154	UNOPS agreed with the BOA recommendation to update the IMIS leave records to reflect accurate information and implement appropriate control measures for recording leave.	Implemented, as acknowledged by BOA.
19	Vacancies	157	UNOPS agreed with the BOA recommendation to prioritize the filling of key vacant posts.	Implemented, as acknowledged by BOA.
20	Training and development plan	160	UNOPS agreed with the BOA recommendation to compile and implement a formally structured training and development plan.	Implemented, as acknowledged by BOA.
21	Information and communication (ICT) technology standards and best practices	195	UNOPS agreed with the reiterated BOA recommendation that it (a) develop a detailed ICT strategic plan, and (b) consider the benefits of adopting international standards and best practices to be applied to its ICT environment.	Implemented, as acknowledged by BOA.

	Topic of recommendation	Paragraph reference	Audit recommendation	UNOPS comments
22	Atlas review	199	UNOPS agreed with the BOA recommendation that through its memorandum of understanding (MOA) with UNDP, UNOPS be involved in the development and finalization of the mitigation plan and the action plans to address all risks highlighted in the 'BearingPoint' report.	Implemented, as acknowledged by BOA.
23	Fund level reconciliation of imprest accounts	89	UNOPS agreed with the BOA recommendation that it update inventory records for all decentralized offices and reconcile all movements with the appropriate additions and disposals; mark all UNOPS inventory items with a unique, identifiable inventory number or serial number; conduct inventory counts at regular intervals; and ensure that valid, accurate and complete opening balances are included in the Atlas system.	BOA has agreed with UNOPS that it may no longer be of benefit to perform imprest account reconciliation at the fund level, as UNOPS had implemented alternate control procedures. BOA has therefore closed the recommendation on this matter.
24	Level of operational reserves	40	UNOPS agreed with the BOA recommendation that it (a) monitor and track all the variables affecting the 'going concern' assumptions, and (b) agree with the Executive Board on a time frame for rebuilding the operational reserve.	The required operational reserve is calculated at the rate of 4% of the average combined programme and administrative expenditure of UNOPS for the previous three years. The actual UNOPS operational reserves for the year ending 31 December 2007 amounted to some $25.1 million which is 72.1% of the mandatory reserve balance. This represents a significant improvement in the financial position of UNOPS. UNOPS is on track to restore the operational reserve balance completely by the end of the 2008-2009 biennium.
25	Submission of financial statements	45	UNOPS agreed with the reiterated BOA recommendation that it (a) improve its financial statements preparation process; and (b) submit certified financial statements for audit in a timely manner.	The complete set of financial statements, together with schedules and notes, was provided to BOA on time. In its audit report, BOA commends UNOPS for its submission to BOA of signed financial statements for the current biennium in a timely manner. BOA only made a few comments with regard to possible ways of further improving the presentation of UNOPS statements.

	Topic of recommendation	Paragraph reference	Audit recommendation	UNOPS comments
26	Account reconciliation and suspense accounts	48	UNOPS agreed with the reiterated BOA recommendation to reconcile and clear all suspense accounts in a timely manner.	The majority of all suspense and clearing accounts carried forward from the previous accounting system were investigated and cleaned up. The remaining balances will be liquidated by end 2008.
27	Refunds pending to donors	50	UNOPS agreed with the BOA recommendation to conduct ongoing reviews of its accounts payable balances.	A major project closure and clean-up exercise was undertaken beginning late 2007. As a first step, 3,600 UNOPS projects shown in the system as active were analysed for activity during the past biennium, and about 2,100 projects were operationally or financially closed. Project staff and the finance team are preparing final technical and financial reports to clients. The goal is to initiate refund and collection processes on all old project balances by end 2008.
28	Accounts payable suspense account	55	UNOPS agreed with the BOA recommendation that it analyse and reconcile the account.	UNOPS is implementing a new report in Atlas that will allow liquidation of such balances in a timely manner. The report will provide details by creditor and aging of the outstanding balance. UNOPS expects the report to be ready by end 2008.
29	Recoverability of long-outstanding receivables	62	UNOPS agreed with the BOA recommendation to review the recoverability of long-outstanding debtor balances.	With regard to rental receivables, as of June 2008 UNOPS had succeeded in collecting 75% of the outstanding balance. This means that only some 25% of the $1.8 million bad debt provision made at the end of the 2006-2007 biennium may be needed. With regard to outstanding balances from other United Nations organizations, progress has been slow. UNOPS continues the clean-up exercise and aims to liquidate most outstanding balances by end 2008.

	Topic of recommendation	Paragraph reference	Audit recommendation	UNOPS comments
30	Debt recovery	67	UNOPS agreed with the BOA recommendation that it implement effective measures to collect all funds due to it and assess the recoverability of outstanding balances.	With regard to staff receivables, UNOPS has, since June 2008, assigned a full time resource person to clean up the outstanding balances. The breakdown details, with staff names, are available for the entire balance, and about 25% of the entries have been cleared. Account balances should be current by end 2008.
31	Unmatched entries in staff receivables	69	UNOPS agreed with the BOA recommendation that it implement controls to ensure that there is supporting documents for amounts disclosed in the annual financial statements.	Significant improvements have been achieved concerning documents to justify amounts disclosed in the financial statements. The work should be completed by end 2008.
32	Advances recoverable locally, credit balances	71	UNOPS agreed with the BOA recommendation that credit balances on advance accounts be accounted for as a payable.	The final financial statements for the biennium 2006-2007 were prepared in accordance with this recommendation.
33	Inter-fund with UNDP	95	The Board recommends that UNOPS: (a) reassess the recoverability of the $9.9 million UNDP debt; (b) assess the adequacy of the $5 million raised as provision for write-off; and (c) ensure that inter-fund reconciliations are performed regularly.	During the 2006-2007 biennium, the inter-fund transaction first-time acceptance rate was as high as 98%. By late 2007 reconciliations with UNDP became regular, and outstanding items were promptly identified and followed up. Only some 6% of the outstanding items in the inter-fund with UNDP relate to the 2006-2007 biennium; the remaining 94% stem from 2004-2005 biennium or earlier. UNDP will attempt to liquidate outstanding inter-fund items by end 2008. UNOPS has made new inter-fund-related provisions during the biennium; the total now stands at $14 million.
34	Reconciliation of unliquidated obligations	109	UNOPS agreed with the BOA recommendation that it (a) regularly reconcile payroll with the general ledger to ensure that payroll costs have been correctly allocated; (b) certify reconciliations at an appropriate level of seniority as proof of review; and (c) make specific year-end and biennium-end closing arrangements to validate differences.	In 2007 UNOPS moved to quarterly reviews of prior year unliquidated obligations. In May 2008, revised guidelines on review and close of open purchase orders were issued to all operations centres.

	Topic of recommendation	Paragraph reference	Audit recommendation	UNOPS comments
35	Review of project budgets	120	UNOPS agreed with the reiterated BOA recommendation that it implement controls over project budgets to ensure that thorough monthly reviews of project budgets and expenditure are completed.	As part of the 'enhancement of internal controls' drive, in the course of 2007 new procedures and tools were put in place to monitor project budgets and expenditures. The 'dashboard', a customized project and finance monitoring tool, was improved in early 2008 to now provide management and project staff with an overview and details required to monitor project budgets closely. The tool provides reliable, consistent and complete data from the accounting system, a prerequisite for project expenditure monitoring and planning future budgets. The next version of the dashboard will permit online client reporting, improving timeliness and efficiency.
36	Monitoring of projects	123	UNOPS agreed with the BOA recommendation that it address cost monitoring on its projects.	Please see the response under item 35, above.
37	Authorizations for budget updates	125	UNOPS agreed with the reiterated BOA recommendation that it obtain formal authorizations for budget increases on a timely basis.	As part of the process of strengthening internal controls, UNOPS introduced a procedure whereby budget updates can be effected only upon sufficient written authorization from the client. Regular monitoring and corrective actions avoid budget overruns.
38	Revision of budgets	130	UNOPS agreed with the reiterated BOA recommendation to remain focused on preparing budgets and revisions thereto on a basis that is more in line with realistic project delivery.	As of mid-2007, suggested modifications/updates to project budgets are reviewed against supporting documentation, such as amendments to MOAs, and revised budget figures must be authorized by regional finance officers.
39	Audit committee	149	UNOPS agreed with the reiterated BOA recommendation that it develop a risk-based internal audit plan to provide the organization with assurance as to financial procedures. In addition, UNOPS agreed with the BOA recommendation that it form an audit committee.	The Strategy and Audit Advisory Committee was created in the last quarter of 2007 and met in January and April 2008. Its five members are external to UNOPS and work on a pro bono basis. The committee will provide guidance and oversight to the UNOPS audit function and ensure that the organization employs sound risk-management practices. The committee will monitor the timely completion of the compliance objectives set by the Executive Director, as well as United Nations regulatory requirements, such as implementation of the International Public Sector Accounting Standards.

	Topic of recommendation	Paragraph reference	Audit recommendation	UNOPS comments
40	Capitalization threshold	169	UNOPS agreed with the reiterated BOA recommendation that it (a) update inventory records for decentralized offices and reconcile all movements with appropriate additions and disposals; (b) ensure that valid, accurate and complete opening balances are included in the Atlas system; and (c) provide all documentation regarding the reclassification of assets.	Guidelines on asset management issued during fourth quarter 2007 defined key compliance elements. A full-time resource person has been allocated to collect, review, update and verify asset registers submitted by the operations centres. Efforts were made to ensure accuracy and completeness of opening balances as well as acquisitions and disposals made during the biennium. To facilitate further improvements, UNOPS initiated implementation of 'Atlas Assets' module.
41	Incomplete asset register	176	UNOPS agreed with the BOA recommendation that it review purchase documentation to ensure that assets were recorded in the asset register	During fourth quarter 2007, UNOPS revised guidelines on asset management so as to improve the quality and completeness of data reported and have the required information available for upload into the assets module of Atlas. As of mid-August 2008, an expert on the assets module will help UNOPS implement and roll out the module in all UNOPS offices. In April 2008, a full-time resource person was allocated to collect and review data and help UNOPS offices to implement the asset module during the second half of 2008. Required modifications to the software have been identified and related forms and reports have been designed.
42	Asset verification at Asia Pacific Regional Office	183	UNOPS agreed with the reiterated BOA recommendation that it perform regular physical asset counts to verify existence of assets and completeness and accuracy of asset records. UNOPS also agreed with BOA recommendation that it obtain an inventory of all items kept in storage.	Implemented in second quarter 2008, subsequent to the field work performed by BOA in January 2008.
43	Asset utilization	186	UNOPS agreed with the BOA recommendation that, in consultation with UNOPS headquarters, it dispose of and write off all non-expendable, obsolete equipment to ensure a fairer presentation of the non-expendable balances disclosed in the financial statements. UNOPS agreed with the BOA recommendation that steps be taken to avoid photocopier rentals.	Implemented in the second quarter of 2008, subsequent to the fieldwork performed by BOA in January 2008.